

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATURE 3rd CALLED SESSION 2021

October 18, 2021

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HR299 by Meyer (Suspending limitations on conference committee report, S.B. 1.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HR299, As Introduced : a negative impact of (\$355,250,681) through the biennium ending August 31, 2023.

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	(\$355,250,681)
2024	(\$386,420,012)
2025	(\$413,306,071)
2026	(\$436,603,746)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from Recapture Payments Atten Crdts 8905
2022	\$0	\$0
2023	(\$355,250,681)	(\$83,951,561)
2024	(\$386,420,012)	(\$79,698,065)
2025	(\$413,306,071)	(\$103,988,170)
2026	(\$436,603,746)	(\$116,782,002)

Fiscal Analysis

The resolution would suspend rules necessary for the conference committee on Senate Bill 1 to amend the Tax Code to increase the mandatory homestead exemption for school districts from \$25,000 to \$40,000.

The resolution would suspend rules necessary for the conference committee on Senate Bill 1 to amend the Education Code to entitle districts to additional state aid (ASAHE) to the extent that a district's combined state and local revenue used to service eligible debt after the homestead exemption increase would be less than the state and local revenue that would have been available for debt service had the homestead exemption not increased.

The resolution would suspend rules necessary for the conference committee on Senate Bill 1 to further entitle districts to ASAHE to the extent that combined state and local FSP revenues for maintenance and operations (M&O) with the increased homestead exemption would be less than the district's combined state and local revenue for M&O had the homestead exemption not increased.

The increased homestead exemption would apply beginning with the 2022 tax year.

Methodology

The resolution suspending rules necessary for the conference committee on Senate Bill 1's proposed increase in the residence homestead exemption would reduce local school district property tax revenue available to fund district entitlement under the FSP beginning with tax year 2022 (fiscal year 2023). Districts that experienced a revenue decrease would receive additional state aid through the FSP to maintain the level of combined state and local revenue they would have received had the homestead exemption not increased.

The Comptroller of Public Accounts assumes the provisions of the resolution suspending rules necessary for the conference committee on Senate Bill 1 would result in a statewide decrease of \$52.3 billion in taxable property values for fiscal year 2023, a decrease of \$53.3 billion for fiscal year 2024, increasing to a reduction of \$55.5 billion for fiscal year 2026. Applying these property value decreases to the FSP model results in an estimated cost to Foundation School Fund No. 193 (General Revenue) of \$355.3 million in fiscal year 2023, \$386.4 million in fiscal year 2024, increasing to \$436.6 million in fiscal year 2026. Additionally, the model projects Recapture Payments- Attendance Credits would be reduced by \$84.0 million in fiscal year 2023, \$79.7 million in fiscal year 2024, increasing to \$116.8 million in fiscal year 2026.

Local Government Impact

School districts would experience a loss of local tax revenue as a result of implementing the provisions of the resolution suspending rules necessary for the conference committee on Senate Bill 1. This analysis assumes this lost revenue would be offset by additional state aid.

Source Agencies:

LBB Staff: JMc, KK, AH, ASA